

In the Matter of)	No. G 01-27
)	
The Financial Examination of)	FINDINGS, CONCLUSIONS,
MUTUAL OF ENUMCLAW INSURANCE)	AND ORDER ADOPTING REPORT
COMPANY)	OF
		FINANCIAL EXAMINATION

A Domestic Insurer. _____

BACKGROUND

An examination of the financial condition of **MUTUAL OF ENUMCLAW INSURANCE COMPANY** (the Company) as of December 31, 1999, was conducted by examiners of the Washington Office of the Insurance Commissioner (OIC). The Company holds a Washington certificate of authority as a mutual insurer. This examination was conducted in compliance with the laws and regulations of the state of Washington and in accordance with the procedures promulgated by the National Association of Insurance Commissioners and the OIC.

The examination report with the findings, instructions, and comments and recommendations was transmitted to the Company for its comments on May 15, 2001. The Company's response to the report is attached to this order only for the purpose of providing convenient review of the response.

The Commissioner or a designee has considered the report, the relevant portions of the examiners' work papers, and submissions by the Company.

Subject to the right of the Company to demand a hearing pursuant to Chapters 48.04 and 34.05 RCW, the Commissioner adopts the following findings, conclusions, and order.

FINDINGS

Findings in Examination Report. The Commissioner adopts as findings the findings of the examiners as contained in pages 5 through 22 of the report.

CONCLUSIONS

It is appropriate and in accordance with law to adopt the attached examination report as the final report of the financial examination of **MUTUAL OF ENUMCLAW INSURANCE COMPANY** and to order the Company to take the actions described in the Instructions and Comments and Recommendations sections of the report. The Commissioner acknowledges that the Company may have implemented the Instructions and Recommendations prior to the date of this order. The Instructions and Recommendations in the report are an appropriate response to the matters found in the examination.

ORDER

The examination report as filed, attached hereto as Exhibit A, and incorporated by reference, is hereby ADOPTED as the final examination report.

The Company is ordered as follows, this being the Instructions and Comments and Recommendations contained in the examination report on pages 2 through 4.

1. The Company is ordered to file all securities as required by the NAIC and pursuant to WAC 284-07-050(2) and ensure proper annual statement reporting in accordance with RCW 48.05.250. Instruction 1, Examination Report, page 2.
2. The Company is ordered to amend the safekeeping agreement with its securities custodian to include standard language concerning indemnification for lost securities as required by the NAIC and in compliance with WAC 284-07-050(2). Instructions 1 and 3, Examination Report, page 2.
3. The Company is ordered to comply with NAIC requirements, RCW 48.05.280, and WAC 284-07-050(2) concerning valuation of stocks and custody by a broker custodian. Instructions 2 and 3, Examination Report, page 2.
4. It is ordered that the Company's automated systems and software be updated and integrated to provide accurate and appropriate historical data to meet statutory reporting requirements and be available for subsequent examination. Comments and Recommendations 1, Examination Report, page 3.
5. It is ordered that the Company's automated systems and software be updated and integrated to provide accurate and appropriate accounting entries to meet statutory reporting requirements. Comments and Recommendations 1, Examination Report, page 3.

6. It is ordered that the Company improve its accrual methodology and that disbursements subsequent to year-end be monitored for as long as possible and expenditures relating to the prior year be identified for accrual in the final closing trial balance. This finding was also made in the prior examination report. Comments and Recommendations 2, Examination Report, page 3.
7. It is ordered that the Company reclassify outstanding checks as a reduction of cash accounts. Comments and Recommendations 3, Examination Report, page 3.
8. The Company is ordered to correct the incorrect classification of salvage and subrogation recoveries on homeowners' policy losses. Comments and Recommendations 4, Examination Report, page 3.
9. The Company is ordered to have its independent, external actuary review the year-end IBNR computation before it is finalized. Comments and Recommendations 5, Examination Report, page 4.
10. The Company is ordered to achieve compliance with RCW 48.07.130 in relation to conflicts of interest by its officers and directors. Comments and Recommendations 6, Examination Report, page 4.

IT IS FURTHER ORDERED THAT, the Company file with the Chief Examiner, within 90 days of the date of this order, a detailed report specifying how the Company has addressed each of the requirements of this order.

ENTERED at Olympia, Washington, this 29th day of June, 2001.

MIKE KREIDLER
Insurance Commissioner